JAN 9 1969
STATE DOCUMENTS

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

OF THE

STATE OF MONTANA

THIRTEENTH ANNUAL REPORT

OF THE

SOCIAL SECURITY DIVISION

1967-1968

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September 30, 1968

Honorable Tim Babcock
Governor of Montana
State Capitol
Helena, Montana

Dear Governor Babcock:

The Board of Administration of the Public Employees' Retirement System of Montana herewith respectfully presents for your consideration and record its Thirteenth Annual Report of the operations and progress of its Social Security Division for the fiscal year ending on June 30, 1968, in accordance with the provisions of Section 68-501 (c), Revised Codes of Montana, 1947.

The Social Security Division provides coverage through the Montana-Federal Social Security Agreement of 1953 for all eligible public employees in Montana and serves as the administrative agency which determines eligibility for coverage and collects, audits and deposits contributions to the credit of employee members.

The benefits provided to public employees through participation in the Social Security program insure to each member and his beneficiary, or beneficiaries, a greater measure of security at superannuation, disability or death. It realizes more fully, when supplemented by the benefits available under the Public Employees' Retirement System, a more complete and satisfactory retirement plan for the deserving public employees and promotes to the State of Montana, and its political subdivisions, the recruitment and retention of the more efficient career employees.

We appreciate this opportunity and privilege in being able to provide this measure of reward and recognition to the faithful and deserving public employees of the State of Montana and its contracting political subdivisions while contributing to the improvement of the personnel standards for efficient, courteous and stable public service in Montana.

Respectfully submitted,

BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

John F. Sasek, Secretary

REPORT AS OF JUNE 30, 1968

For the Period Beginning July 1, 1967 and Ending June 30, 1968

BOARD OF ADMINISTRATION

	Term Expires	
JACK D. SHANSTROM, Livingston	April 1, 1971	President
A. C. GRANDE, JR., Martinsdale	April 1, 1970	Vice-President
MONS L. TEIGEN, Helena	April 1, 1969	Member
FRED L. HILL, Great Falls	April 1, 1972	Member
HUBERT G. WHITE, Townsend	April 1, 1973	Member

ADMINISTRATIVE STAFF

JOHN F. SASEK	Secretary
OWEN L. MORRIS, JR.	Accountant
MICHAEL J. HUGHES	Attorney

LEGISLATION AND GROWTH

LEGISLATION

Public employees in Montana were first provided the opportunity of securing Social Security coverage, or Old Age, Survivors' and Disability Insurance under the provisions of Chapter 44, 1953 Session Laws of Montana, when the Thirty-Third Legislative Assembly of Montana enacted the enabling legislation whereby political subdivisions, not under a retirement system, could have some measure of security for themselves and beneficiaries at superannuation, and for their survivors, should the employees never reach superannuation. This enabling legislation was made possible by the 1950 amendments to the Federal Social Security Act which permitted public employees, not under a retirement system, to secure Social Security coverage which had not been previously available to them.

Under the authority granted to it by Chapter 44, 1953 Session Laws of Montana, the State Board of Examiners entered into a Federal-State Social Security agreement with the Secretary of Health, Education and Welfare, effective on December 7, 1953. This original agreement was applicable only to those political subdivisions not under a retirement system. The state agency designated to administer Social Security for public employees in Montana under this act was the State Board of Equalization.

The Montana Federal-State agreement of December 7, 1953, provided the basis of coverage for the various classes of positions among public employees in Montana and every agreement, or modification thereof, which has been executed by the State of Montana or its political subdivisions since that date has been governed by it, so that all classes of positions are covered except some employees working on a fee basis, firemen, policemen, students employed incidentally at the various educational institutions, and state highway patrolmen. The original agreement has been amended so that fee basis elective officials may be covered.

Social Security coverage under the provisions of Chapter 44, 1953 Session Laws, was secured solely through a voluntary Plan and Agreement negotiated between the legislative body and the State Board of Equalization, which administered Social Security for public employees in Montana until July 1, 1955, when the Public Employees' Retirement System assumed its administration.

The Thirty-Fourth Legislative Assembly of Montana amended the original act of 1953 to allow public employees of Montana, who are under a retirement system, to add Social Security coverage to their coverage under a retirement system. This was done in accordance with the provisions of the 1954 amendments of the Federal Social Security Act. The coverage for these public employees was provided under Chapter 270, 1955 Session Laws of Montana, for members of the Public Employees' Retirement System of Montana, and under Chapter 271, 1955 Session Laws of Montana, for members of the Teachers' Retirement System of Montana who are professional employees of the six units of the Greater University of Montana or professional employees of a school district.

The 1954 amendment to the Federal Social Security act required that no state agency or political subdivision could add Social Security coverage without submitting the question of participation to the members of their respective retirement systems to a referendum vote conducted by the State Agency. The Montana amendments of 1955 incorporated this provision so that members of the Public Employees' Retirement System and the Teachers' Retirement System could participate in Old Age Survivors' and Disability Insurance the same as public employees who are not under a retirement system. These amendments also transferred the administration of Social Security for public employees in Montana from the State Board of Equalization to the Board of Administration of the Public Employees' Retirement System of Montana, effective as of July 1, 1955.

The 36th Legislative Assembly enacted Chapter 97, 1959 Session Laws of Montana making three changes in the previous state Social Security legislation. The most important section of Chapter 97 clarified the wording of the original enabling law so that it would coincide with any future changes in the retroactivity clause of the Federal Social Security Act. The other provisions of Chapter 97 corrected a typographical error which occurred in the preparation of Chapter 270, 1955 Session Laws of Montana and removed the word "teachers" from the exclusions of Chapter 270, 1955 Session Laws of Montana since the teacher group was covered by Chapter 271, 1955 Session Laws of Montana.

The 39th Legislative Assembly amended Section 59-1110, R.C.M., 1947 to provide that the contributions with respect to services of school district employees, equivalent to the employers' tax established by the Federal Social Security Act shall be the first obligation against any state funds received for school support by any school district, high school district or county high school, and shall first be paid therefrom. This amendment allowed the State of Montana to take advantage of the provisions of Section 218 (e) of the Social Security Act whereby contributions with respect to wages for services performed under the agreement during the calendar year for the State and one or more school districts or for two or more school districts, shall be computed as though such wages were paid by a single employer for work done in its employ. Prior to this amendment an individual who worked for the State and one or more school districts or two or more school districts in a calendar year was required to be reported for all wages, up to the maximum reportable, by each school district and each school district was required to pay contributions on these amounts.

GROWTH

During its first thirteen years of administering Social Security for public employees in Montana the Public Employees' Retirement System conducted fifty-one (51) statewide referendums, on October 10, 1955, January 4, 1956, April 16, 1956, May 28, 1956, October 15, 1956, January 28, 1957, May 6, 1957, September 16, 1957, December 6, 1957, April 4, 1958, September 29, 1958, January 16, 1959, April 16, 1959, October 5, 1959, December 4, 1959, March 23, 1960, May 6, 1960, December 9, 1960, February 17, 1961, May 5, 1961, November 15, 1961, December 15, 1961, February 16, 1962, March 23, 1962, May 5, 1962, November 15, 1962, December 14,1962, February 15, 1963, May 3, 1963, December 13, 1963, February 14, 1964, May 8, 1964, May 22, 1964, August 31, 1964, December 11, 1964, March 12, 1965, April 16, 1965, May 14, 1965, August 30, 1965, December 18, 1965, March 18, 1966, May 20, 1966, December 9, 1966, January 27, 1967, March 7, 1967, May 5, 1967, September 15, 1967, December 8, 1967, January 26, 1968, February 16, 1968, and May 28, 1968, respectively, and extended Old Age Survivors and Disability Insurance to 36,615 additional public employees in 103 state departments, fifty-six (56) counties, one hundred and two (102) cities and towns, all units of the Greater University of Montana, five hundred and sixty-eight (568) school districts, nineteen (19) irrigation districts, fourteen (14) cemetery districts, two (2) public libraries, five (5) soil conservation districts, five (5) public housing authorities, one (1) hospital association, and one (1) county water district.

By July 1, 1968, Old Age, Survivors' and Disability Insurance had been extended to the majority of public employees in Montana, with 37,203 now participating. This is approximately 96% of the total estimated number of public employees who could be covered under Old Age, Survivors' and Disability Insurance. All state departments, all component units of the Greater University of Montana, all counties, the majority of cities, towns, first and second class school districts, and many other political subdivisions have provided Social Security coverage for their public employees so that the number remaining is to be found principally in the smaller political subdivisions of the state.

NATIONAL CONFERENCE OF STATE SOCIAL SECURITY ADMINISTRATORS

The Sixteenth Annual National Conference of State Social Security Administrators was held in Fort Lauderdale, Florida on August 14 - 15, 1967. Montana was represented by Judge Jack D. Shanstrom, President, and Mr. Fred L. Hill, Member, Board of Administration, Mr. John F. Sasek, Secretary, Public Employees' Retirement System and Mr. Owen L. Morris, Jr., Accountant, Social Security Division.

The Conference is conducted under the supervision of the member states with the cooperation of the Social Security Administration. The conference is held so that the states may present their problems and offer suggestions concerning the operation of the Social Security program in their state and for the states to exchange ideas. The conference also proposes legislation to present to Congress to better the Social Security program as concerns the state.

WAIVER OF HEARING AND PARTIAL TERMINATION OF AGREEMENT

PURPOSE

When a political subdivision or absolute coverage group is dissolved, it is necessary for the State to take action to have the dissolved political subdivision removed from the agreement. A political subdivision which has been dissolved must be terminated by the Secretary pursuant to the provisions of the Act under which the Secretary may terminate an agreement or part of an agreement, if the State is legally unable to comply with the terms of the agreement. The formal document used for this procedure is called a "Waiver of Hearing and Partial Termination of Agreement."

RECENT TERMINATIONS

During the past fiscal year sixteen (16) documents of Waiver of Hearing and Partial Termination of Agreement were executed by the Secretary, removing twenty-one (21) teacher coverage groups and three (3) coverage groups of employees, other than teachers, from the Social Security Agreement.

REFERENDUMS

PURPOSE OF REFERENDUM

A referendum is held so that employees of public agencies under a retirement system might be afforded the opportunity to vote on the question of supplementing their present retirement program with the OASDI coverage. Congress in enacting the provisions relating to retirement system coverage under OASDI specifically declared its policy to be that the protection afforded employees in positions covered by a retirement system, or the payment of periodic benefits under a retirement system, will not be impaired as a result of such coverage or as the result of legislation enacted in anticipation of such coverage.

RECENT REFERENDUMS

During the past fiscal year five referendums were conducted for political subdivisions in the state on September 15, 1967, December 8, 1967, January 26, 1968, February 16, 1968, and May 28, 1968. In these referendums, 13 school districts participated with 148 eligible employees voting. The final certification of the referendums showed employees of 11 agencies voting favorably for the coverage and 2 agencies voting against coverage.

MODIFICATIONS

PURPOSE OF MODIFICATION

The Social Security Act provides that a State's original agreement may be modified to include additional coverage groups and to cover services previously excluded from an agreement or modification. The coverage must be consistent with the provisions of the Federal Social Security Act.

An agreement is modified by the use of a formal document known as a "Modification." The signing of a modification is an acknowledgment of the full applicability to it of the provisions of the original agreement.

RECENT MODIFICATIONS

During the past fiscal year the Social Security Division prepared and processed 7 modifications which were approved and signed by the Social Security Administration in Baltimore, Maryland. These modifications extended the coverage to the following groups: Teachers at 5 school districts, employees who were members of the P.E.R.S. at 1 school district, employees who only have social security coverage at 3 school districts, 2 towns, and 1 soil and water conservation district.

Modifications are continually being prepared extending coverage to those agencies desiring the coverage for their employees.

REFERENDUMS HELD IN THE STATE FOR MEMBERS OF THE TEACHERS' RETIREMENT SYSTEM AND THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM ON THE QUESTION OF SUPPLEMENTING THEIR PRESENT RETIREMENT PROGRAM WITH SOCIAL SECURITY

REFERENDUMS	Agencies Voting For Social Security	Agencies Voting Against	Per Cent In Favor
First Referendum—October 10, 1955	128	3	97.7%
Second Referendum—January 4, 1956	50	4	92.5%
Third Referendum—April 16, 1956	110	8	93.2%
Fourth Referendum—May 28, 1956	66	15	81.5%
Fifth Referendum—October 15, 1956	42	11	79.2%
Sixth Referendum—January 28, 1957	56	3	94.9%
Seventh Referendum—May 6, 1957	35	2	94.6%
Eight Referendum—September 16, 1957	51	5	91.1%
Ninth Referendum—December 6, 1957	71	9	88.8%
Tenth Referendum—April 4, 1958	57	1	98.2%
Eleventh Referendum—September 29, 1958	44	3	93.6%
Twelfth Referendum—January 16, 1959	31	1	96.9%
Thirteenth Referendum—April 16, 1959	23	1	95.8%
Fourteenth Referendum—October 5, 1959	23	6	82.1%
Fifteenth Referendum—December 4, 1959	12	4	75.0%
Sixteenth Referendum—March 23, 1960	20	7	74.1%
Seventeenth Referendum—May 6, 1960	2	1	66.7%
Eighteenth Referendum—December 6, 1960	22	5	73.3%
Nineteenth Referendum—February 17, 1961	12	5	58.3%
Twentieth Referendum—May 5, 1961	8	0	100.0%
Twenty-first Referendum—November 15, 1961	1	0	100.0%
Twenty-second Referendum—December 15, 1961	21	2	91.3%
Twenty-third Referendum—February 16, 1961	8	0	100.0%
Twenty-fourth Referendum—March 23, 1962	4	0	100.0%
Twenty-fifth Referendum—May 4, 1962	7	0	100.0%
Twenty-sixth Referendum—November 15, 1962	2	0	100.0%
Twenty-seventh Referendum—December 14, 1962	11	2	84.6%
Twenty-eight Referendum—February 15, 1963	8	0	100.0%
Twenty-ninth Referendum—May 3, 1963	6	3	66.6%
Thirtieth Referendum—December 13, 1963	16	0	100.0%
Thirty-first Referendum—February 14, 1964	5	1	80.0%
Thirty-second Referendum—May 8, 1964	4	0	100.0%
Thirty-third Referendum—May 22, 1964	1	0	100.0%
Thirty-fourth Referendum—August 31, 1964	1	0	100.0%
Thirty fifth Referendum—December 11, 1964	15	1	93.7%
Thirty-sixth Referendum—March 12, 1965	7	1	87.5%
Thirty-seventh Referendum—April 16, 1965	3	0	100.0%
Thirty-eighth Referendum—May 14, 1965	2	0	100.0%
Thirty-ninth Referendum—August 30, 1965	2	0	100.0%
Fortieth Referendum—December 18, 1965	17	0	100.0%
Forty-first Referendum—March 18, 1966	6	1	85.7%
Forty-second Referendum—May 20, 1966	2	0	100.0%
Forty-third Referendum—December 9, 1966	4	0	100.0%
Forty-fourth Referendum—January 27, 1967	5	0	100.0%
Forty-fifth Referendum—March 7, 1967	1	0	100.0%
Forty-sixth Referendum—May 5, 1967	1	0	100.0%
Forty-seventh Referendum—September 15, 1967	6	0	100.0%
Forty-eighth Referendum—December 8, 1967	3	0	100.0%
Forty-ninth Referendum—January 26, 1968	2	2	50.0%
Fiftieth Referendum—February 16, 1968	1	1	50.0%
Fifty-first Referendum—May 2, 1968	1	0	100.0%
	1,036	108	86.9%

Agencies having an unfavorable vote for the Social Security coverage must wait one full year before voting again.

SOCIAL SECURITY COVERAGE BY COUNTIES (as of June 30, 1968)

COUNTY	School Districts	Cities Towns	Other Agencies
Beaverhead	14	1	....
Big Horn	5	2	1
Blaine	16	2	5
Broadwater	4	1	....
Carbon	15	4	2
Carter	13	1	....
Cascade	23	4	2
Chouteau	17	3	1
Custer	16	1	....
Daniels	5	2	1
Dawson	15	2	....
Deer Lodge	3	1	1
Fallon	9	1	....
Fergus	26	2	....
Flathead	20	3	1
Gallatin	19	5	....
Garfield	14	1	....
Glacier	7	1	1
Golden Valley	3	1	....
Granite	4	2	....
Hill	14	1	1
Jefferson	7	2	....
Judith Basin	6	....	....
Lake	11	3	1
Lewis and Clark	14	2	2
Liberty	8	1	....
Lincoln	10	2	1
Madison	6	4	3
McCone	9	1	....
Meagher	7	1	....
Mineral	4	1	....
Missoula	14	1	2
Musselshell	5	2	....
Park	9	1	2
Petroleum	2	1	....
Phillips	15	3	2
Pondera	14	2	1
Powder River	5	1	....
Powell	10	1	....
Prairie	4	1	1
Ravalli	8	3	1
Richland	17	2	2
Roosevelt	8	5	2
Rosebud	8	1	2
Sanders	9	2	2
Sheridan	9	2	....
Silver Bow	5	1	1
Stillwater	9	1	....
Sweet Grass	12	1	....
Teton	8	3	2
Toole	15	3	1
Treasure	2	1	1
Valley	10	2	1
Wheatland	4	1	....
Wibaux	8	1	....
Yellowstone	14	2	3

NUMBER OF AGENCIES OFFERING THEIR EMPLOYEES SOCIAL SECURITY
AS OF JUNE 30, 1968
(By Coverage Groups)

COVERAGE GROUPS	Number of Agencies
SCHOOL DISTRICTS:	
Teachers	528
Members of the Public Employees' Retirement System	94
Members who do not belong to the Public Employees' Retirement System	200
CITIES AND TOWNS:	
Members of the Public Employees' Retirement System	47
Members who do not belong to the Public Employees' Retirement System	55
COUNTIES: (100%)	
Members of the Public Employees' Retirement System	55
Members who do not belong to the Public Employees' Retirement System	1
STATE DEPARTMENTS (100%)	103
UNIVERSITY SYSTEM (100%)	6
OTHER AGENCIES:	
Irrigation Districts	19
Cemetery Districts	14
Public Libraries	2
Public Housing Authorities	5
Soil Conservation Districts	5
Montana Municipal League	1
Planning Board	1
Rural Fire District	1
Hospital Association	1
County Water District	1

SOCIAL SECURITY COVERAGE IN SCHOOL DISTRICTS
AS OF JUNE 30, 1968

The number of school districts covered by Social Security according to specific coverage groups.

COVERAGE GROUPS	Number of Districts
* Teachers	528
Employees other than Teachers (Total)	294
Employees other than Teachers who are members of the Public Employees' Retirement System	94
Employees other than Teachers who only have Social Security coverage	200
All Employees covered. Teachers and employees other than Teachers	286

* All teaching positions in Montana are covered by the Teachers' Retirement System.

MEMBERS OF AMERICAN INSTITUTE OF ACCOUNTANTS

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TODD M LINDBERG

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CERTIFIED PUBLIC ACCOUNTANTS

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September 10, 1968

Board of Administration
Social Security Division
Public Employees' Retirement System
State of Montana
Helena, Montana 59601

Gentlemen:

We have examined the statement of financial condition of the Social Security division - Public Employees' Retirement System as of June 30, 1968 and the related statement of cash income and expenses for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the accompanying statements present fairly the financial condition of the Social Security Division - Public Employees' Retirement System at June 30, 1968 and the results of its operations for the fiscal year then ended, in conformity with generally accepted accounting principles.

Sincerely,

ANDERSON & ZURMUEHLEN

Todd M Lindberg

Todd M. Lindberg

TML/ag

MEMBERS OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

SOCIAL SECURITY DIVISION

Public Employees' Retirement System

State of Montana

STATEMENT OF FINANCIAL CONDITION

June 30, 1968

Assets

Cash on Hand	$ 47,284
Cash on Deposit	6,631
Investment in short-term U.S. Government Securities — at Cost — (Note 1)	2,946,672
	$3,000,587

Liability & Equity

Agency deposits payable — (Note 2)	$2,311,422
Payroll Contributions payable to Treasurer of the U.S. — (Note 2)	458,312
Surplus Reserves — (Note 3)	230,853
	$3,000,587

Income:

Administrative Fees	$ 45,331
Interest Income — Net	96,877
	$ 142,208

Administrative Expenses:

Salaries	$24,560	
Employee Benefits	1,826	
Office Supplies	184	
Printing	1,051	
Communications	1,014	
Travel	1,063	
Equipment Rental	1,971	
Office Rent	600	
Legal Fees	4,200	
Repairs and Maintenance	102	
Capital Expenditures	440	37,011
Excess of Receipts over Disbursements		$ 105,197
Surplus Reserves, July 1, 1967		121,898
Miscellaneous Adjustments to Prior Year Contribution Liability — Net		3,758
Surplus Reserves, June 30, 1968		$ 230,853

See Notes to Financial Statements.

ANDERSON & ZUR MUEHLEN
Certified Public Accountants
Helena, Montana

SOCIAL SECURITY DIVISION

Public Employees' Retirement System

State of Montana

STATEMENT OF FINANCIAL CONDITION

June 30, 1968

NOTE 1 — Investments:

	Due Date	Discount Rate	Cost	Par Value
Federal National Mortgage Association Discount Notes	8-15-68	5.50%	$ 148,900	$ 150,000
" " " " " "	8-15-68	5.70	178,518	180,000
" " " " " "	8-15-68	5.75	261,318	265,000
" " " " " "	8-15-68	5.85	344,881	350,000
" " " " " "	8-15-68	5.75	196,806	200,000
" " " " " "	8-15-68	5.75	221,190	225,000
			$1,351,613	$1,370,000
Export-Import Bank Discount Notes	8-15-68	5.70%	$ 168,466	$ 170,000
" " " " "	8-15-68	6.00	242,468	245,000
" " " " "	8-15-68	6.00	365,992	370,000
" " " " "	8-15-68	6.00	311,273	315,000
" " " " "	2-13-69	6.15	167,197	175,000
" " " " "	8-15-68	6.00	162,827	165,000
" " " " "	8-15-68	5.70	176,836	180,000
			$1,595,059	$1,620,000
Total Investments			$2,946,672	$2,990,000

NOTE 2 — Agency Deposits:

Total of $2,311,422 represents monthly remittances for payroll contributions received from contributing agencies, however, the quarterly reports of payroll have not been received from the agencies and therefore the actual contribution liability to the Treasurer of the United States has not yet been determined. The total of $458,312 shown as payroll contribution payable represents agencies which have submitted their quarterly payroll reports and therefore the contributions payable to the United States are determinable.

NOTE 3 — Surplus Reserves:

Represents total accumulated surplus of administrative fees and interest earned over administrative expenses, since inception of the Social Security Division. Section 59-1105 (a) Revised Codes of Montana, states in part, "all interest and income—earned in excess of that—needed for purposes set forth in subdivision (b) (relating to contributions payable to the United States and refunds) shall be credited to the earmarked revenue fund to be used to defray the costs of administration, or for distribution pro rata to the contributing agencies." It would appear that this surplus, at some point not specifically stated in the statute, is distributable to the contributing agencies.

In addition to the above, Section 59-1106 RCM states in part, "all costs allocable to administration of this chapter shall be charged to the earmarked revenue fund, and so much of such costs as are not defrayed by interest and income earned upon the contributions fund, shall be paid to the state agency by each department participating . . . according to their respective contributions." This is the section which enables the levy of an administration fee on contributing agencies.

In the opinion of the Board attorney this particular section casts doubt on whether the Board should in fact levy an administrative fee in a year when the amount transferred to the earmarked revenue fund under Section 59-1105 RCM equals or exceeds administrative expenses and an adequate reserve exists to cover the administrative expense for a considerable period of time. For the fiscal year ended June 30, 1968 interest earned amounted to $96,877, while administrative expenses totalled $37,011. The total accumulated surplus reserves as of June 30, 1968 amounted to $230,853.

For the year ended June 30, 1968, a fee of .03% on reported wages was charged to contributing agencies, for a total of $45,331 in fees. The fee has been reduced by the Board, effective July 1, 1968 to .01% on reported wages.

ANDERSON & ZUR MUEHLEN
Certified Public Accountants
Helena, Montana